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Summary of Position on National Growth Policy Questions

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The questions posed by the staff of the Domestic Council are based upon the implicit premise that the U.S. has never had, and does not now have, a national growth policy. The questions are designed to develop information on whether or not there should be a national growth policy, and what the Federal role should be, if any.

The Department of Agriculture's position is that the issues posed by the set of questions are based on an incorrect premise. The U.S. has had, and now has, national growth policies and programs to carry out those policies. These policies and programs are becoming increasingly obsolescent and unsatisfactory. The central issue should be -- what changes in policies are needed, not whether growth policies should be invented.

The United States has evolved and carried out national growth policies for at least 150 years. National growth objectives have from the start included maximum economic growth, maximum population growth, and continental expansion. Implementing growth strategy has relied primarily upon individual freedom of choice and private initiative for achieving growth and development, supplemented by Federal immigration policy, financial assistance, land grants, research and development, technology transfer, transportation and natural resource development, tax incentives, regulation, and military force. In later years, regional considerations explicitly entered growth policy objectives (TVA, etc.). In recent years, increasing attention has been given to dealing with adverse social, economic, and environmental side effects of inherited growth policies.

However, a consensus has developed that the inherited growth policies and implementing strategies are becoming increasingly inadequate to modern conditions and increasingly unsatisfactory to ever larger numbers of citizens. A consensus has not evolved on all of the specific changes and remedies needed, but a strong consensus (expressed in legislation and Presidential messages, as well as in many other sources) is developing that the trends in rural-urban population distribution are unsatisfactory and that changes in the rural-urban balance should become an explicit focus of change in national growth policies and Federal programs.

There is also a consensus that the role of the Federal Government should continue to be supportive and that State and local initiatives and leadership should continue to be the principal determinant of development. However, there is also a growing consensus that the Federal support role should be strengthened, and that Federal programs should be more effectively administered.

The Federal role in national growth policy should stress: (1) providing a framework and process for achieving an informed consensus on national goals and objectives; (2) promoting research, systematic analyses and evaluations of long-run costs and benefits of alternative policies and programs; (3) encouraging State, local, and private leadership and initiative; (4) providing mechanisms for resolving conflicts among geographical or other interest groups; (5) dealing directly with unwanted externalities of ongoing policies and programs that are not manageable at lower levels of government or by the private sector; and (6) designing and administering Federal assistance programs in concert with growth policy objectives.

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UNITED STATES DEPARTMENT OF AGRICULTURE

Responses to Domestic Council Questions on

NATIONAL GROWTH POLICY

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A. DEFINE NATIONAL GROWTH POLICY

1. (a) Is there a consensus in the literature on what "national growth policy" means?

A consensus appears to be emerging on the general meaning and significance of having or not having an explicit national growth policy. Yet, as one moves from the general to the specific, the level of agreement diminishes. [See response to question 3 (a) of this Section].

- (b) If there is a consensus, what is it and who are the groups and individuals responsible for it?

There is a general consensus that policy for growth of the nation provides a framework for accomplishing specific social objectives through development. In addition, such policy serves to make explicit the developmental implications of many other public and private actions that do not have growth as primary purposes.

Although the extent of the consensus diminishes as one moves away from this generality, there is strong support for a number of components of growth policy. There is substantial though not full agreement, for example, that further growth of very large metropolitan areas should not be encouraged; rather, policy should encourage growth in smaller urban areas. Likewise,

there is substantial agreement that future national growth should be favorable to those citizens who are economically or socially disadvantaged because of location of residence. This would include a high proportion of rural people. In addition, there is substantial agreement that reform of governmental processes at all levels should be a part of our national policy, particularly as it enhances the capability of those units of government in the best position to respond to citizen wants and needs.

The groups and individuals responsible for this consensus represent a conglomeration of diverse interests and talent. The list includes social science researchers (both in government and in universities), the Congress, Federal study groups such as the Advisory Commission on Intergovernmental Relations and the President's Task Force on Rural Development, some action programs such as the Appalachian Regional Commission, various State and local development groups including the National Governors Conference and the National Association of Regional Councils, and private organizations such as the American Country Life Association.

2. (a) How far have the "growth experts" gotten in specifying the content of "balanced and orderly growth" in real terms (the definition stressed by the Congress)?

There has been comparatively little agreement on the specific contents of "balanced and orderly growth". However, notable

progress has been made in translating general mandates of the Congress into operationally meaningful concepts for stimulating growth and development in specific locations, as exemplified by work of the TVA and the Appalachian Regional Commission.

The term "balanced and orderly growth" in Title 7 of the Housing and Urban Development Act of 1970 and in other enacted and pending legislation may reflect the failure of diverse interests to come to an agreement on the specific meaning of a national growth policy. Not many people would opt for "imbalanced and disorderly growth." It is the absence of specification that is the problem.

3. (a) What evidence suggests that the development of a national growth policy is possible?

The fact that a national growth policy has existed. This nation has designed and implemented policies directed expressly toward achieving national growth during at least the past 150 years. National growth objectives have included maximum economic growth, population growth (including selective immigration) and continental expansion. Implementing growth strategy has relied on individual freedom and private initiative for achieving growth and development, supplemented by Federal financial assistance. That basic growth policy and strategy is becoming inadequate to modern conditions and increasingly unsatisfactory to larger numbers of citizens. The important question now is whether modification of our past policies are needed in order to more effectively cope with current and emerging national problems. A central theme

throughout our responses to these questions on national growth policy is that changes in ongoing policy are needed to channel public and private initiatives in relation to new problems and national priorities.

Prominent examples of past policies and programs directed toward achieving growth would include grants of public domain to States and private firms to help finance education and railroad construction, tariffs to aid in our national development, the encouragement of agricultural expansion through the Homestead Act and public assistance in irrigation, the increase in agricultural productivity through implementation of the Hatch Act, the increase in quality of rural life through rural electrification and housing, water resource development in the West, the Full Employment Act of 1946, the Tennessee Valley Authority, the Federal Aid Highway Act of 1956, and various public documents expressing the nation's commitment to maximum reliance on private initiative and leadership in economic affairs.

- (b) Are there examples or studies indicating in operational terms what a national growth policy could or could not do?

The recorded history of the economic development of the United States and the Federal government's (changing) policies and programs related thereto is the best example. There are also several examples of identifiable accomplishments of component policies such as those cited in the preceding response. Yet, for the most part, these individual programs and policies were directed toward a single facet of national growth.

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(c) Can we draw lessons from the experience of other countries?

Yes, we obviously can. Other nations have experimented with a variety of policy tools for the purpose of influencing the rate and form of their growth. England, France, Italy, Germany, Australia, Japan and Holland, among others, have had successful developmental experiences worthy of study. There is a sizable literature on the subject. At the request of the Senate Agriculture Committee, the Department is presently reviewing the literature for information of this sort, especially as the experience relates to the development of less sparsely populated and rural areas of the United States. The results of this review will be made available to the Domestic Council staff as soon as it is available.

4. (a) Is it possible to limit the definition or concerns of national growth policy in such a way as to make it operationally effective and useful?

Yes, we feel it is possible; however, considerable care must be taken to assure that such policy does not stifle State, local, and private initiative and decision making. In our view, a definition of national growth policy would provide an overall framework or statement of purposes within which State, local, and private initiative and decisions could be made.

(b) Specifically, what kinds of institutions, actions, processes or procedures at the Federal level directly flow from having stated a national growth policy?

In stating changes in national growth policy, one would seek to identify those critical decision points for achieving effective application. Operational statements of purpose could be used for judging a wide variety of public and private actions. Within the Federal government, they could be used in making decisions regarding the budget, the formulation of administrative policies, the design of legislative proposals, the evaluation of program performance, planning concerted Federal action, etc. To the extent such actions were consistent with and supportive of the agreed upon growth objectives, their priority of demand on national resources would be enhanced.

(c) What would be the form of stating a national growth policy?

If national growth policy is to be effective, it must have the concurrence and the active support of both the President and a clear majority of the Congress; however, it should not take the form of a detailed master plan that comes down from on high. Neither can it be an academic exercise in search of a modern day utopia. It must be a dynamic process of definition and redefinition of purpose, policy implementation, and evaluation. It must be specific enough that it can be translated into concrete action and its degree of success measured. It must be flexible enough to accommodate the need for changing circumstances but stable enough to support the maturation and development of long-term projects while avoiding a whimsical approach.

A statement of national growth policy could start with national growth objectives; it then could include clarification of Federal, State, local and private relations and roles in achieving these objectives, and how conflicts between growth and other objectives are to be resolved.

5. (a) Would it be wise to attempt to develop and utilize a national growth policy?

The present set of national growth policies are becoming increasingly obsolescent and inadequate as guides to decision-making at all levels. We believe it would be wise to develop and utilize an improved explicit national growth policy to more effectively identify national objectives and order national priorities, direct Federal programs toward the accomplishment of these objectives, evaluate program performance, and serve as a mechanism for involvement of the citizenry in the governmental processes. National growth policy should be the framework within which rural development objectives are expressed and implemented.

- (b) What are the political pluses and minuses of stating such a policy?

The political advantages would seem to be as follows:

- (1) to the extent the policy is successful, it will improve the well-being of large numbers of people;
- (2) by improving the effectiveness of governmental action, it will help restore public confidence in government;

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- (3) to the extent such a policy anticipates the undesirable social consequences of particular actions, it will both improve the effectiveness of public policy and help avert a climate of continual crises; and,
 - (4) to the extent the citizenry is involved in development of the policy, it should contribute to a more responsive system.
 - (5) A carefully enunciated framework policy would provide a more effective vehicle for sustained coherent Presidential leadership and national consensus building.

Among the political minuses that come to mind are:

- (1) such a policy is likely to entail a more explicit redistribution of public benefits among geographic areas as well as among social and economic groups, thereby drawing criticism from those who might feel disadvantaged.
 - (2) if the policy is not well grounded in reality, it could become the basis for unrealizable expectations and ensuing bitterness and alienation; and,
 - (3) to the extent the policy offers measurable objectives, any shortfalls could provide a basis for public criticism or misunderstanding.
- (c) To what extent would a national growth policy be subject to economic, political and social constraints which would make the policy irrelevant?

Implementation of growth policy is necessarily constrained by such factors. However, the central purpose of growth policy is to guide

public and private decision making in economically feasible, politically practical, and socially acceptable ways. It does not make sense, for example, to establish a policy of reversing the flow of migration for all those counties that have been experiencing an exodus of people over the past 2 or 3 decades. For many counties, such an objective would be economically and socially impractical, even though it might be politically appealing. Nevertheless, distinguishing between those constraints determined to be controlling from those to be removed is, and will continue to be, a major challenge in public policy.

6. (a) Are there studies which show the relationship of a national growth policy to other national policies of interest such as economic stability at full employment, industrial planning, tax policies, population growth and movement, environmental and resource planning, etc.?

Hard evidence has accumulated on many of these single policy issues -- e.g., tax policy, industrial location, and population migration. This evidence includes empirical studies by social scientists in both public and private agencies and years of experience with specific Federal policy instruments

[see attached bibliography, 15, 41, 43 and 50]. However, the task of these various policies conjunctively with an eye towards identifying and evaluating their joint consequences remains to be done.

- (b) Who, if anyone or any institution, has, at this point in time, sufficient technical expertise and politically viable organizations to relate these policies?

No single institution other than the Executive Office of the President has sufficient influence and command over sufficient resources to make such a policy meaningful. And, if such a responsibility were to be lodged within the Executive Office, it would require the development of a staffing capability not now existing.

However, it is not necessary for a single institution to be the exclusive agent for "relating" diverse policies that pertain to national growth. That "relating" process is clearly comprised of two parts -- policy development and program implementation. A number of public and private institutions have a legitimate participative role to play in policy formation. Included here is the necessary dialogue among affected citizens and the accumulation of data and integrated systematic analyses required for judgments about the implications of alternative policy options. Only the coordinated implementation of specific Federal programs requires a single focal point for issue resolution at the Federal level.

- (c) If no such vehicles for achieving interrelationships exist, what options exist for filling the gap?

Some organizational options for the Federal government that might be considered are as follows:

- (1) Establish a permanent Advisory Commission on national growth similar to the Advisory Commission on Intergovernmental Relations, including a full-time technical staff.

- (2) Establish a "Council on National Growth" similar to Council of Economic Advisers, or change the functions of CEA to include a major emphasis on coordinating growth and other policies.
- (3) Reorganize the Federal Departments and Agencies as proposed by the President.
- (4) Place major responsibility on the Domestic Council for achieving the desired interrelationships among Federal policies and programs.
- (5) Authorize Federal funding of a development staff to report to each Governor or to the regional councils.

Effective implementation of any one or more of these options will require key, timely, objective data of national scope which are not now available. Also, effective utilization of existing social science research resources will be required for answering relevant policy questions.

7. (a) Is there any reliable estimate of alternative futures for the country in the absence of a national growth policy?

No. Most of the work that has accumulated so far deals with single, or at best a few, facets of a policy for national growth. However, enough has been done to demonstrate the feasibility and desirability of expanding and supplementing work already underway with particular emphasis on making these efforts more additive and interrelated.

The report of the Commission on Population Growth and the American Future presents alternative population policies, and associated future consequences. These can be considered sufficiently reliable as to provide policy guidelines.

A study done for the Population Commission by Resources for the Future, Inc., indicates that environmental pollution is not likely to significantly affect national growth until after the turn of the 21st century, but that alternative "trade-offs" exist between future growth rates and environmental pollution.

An experimental study at MIT on the limits to growth demonstrates a methodological approach in studying the future. In general, the results of the MIT study indicate the need to adopt growth policies now that will avert the adverse future consequences of continued high rates of economic growth, natural resource extraction, environmental pollution and population growth.

A number of demographic studies with projections indicate that most of the future population of this country will be concentrated in megalopolises along the coast lines and the Great Lakes, unless effective measures are taken to avert this trend in migration patterns.

A USDA project is underway to delineate alternative futures for American agriculture, with emphasis on the numbers, sizes and location of farms and their implications for population distribution, resource use, farm income, consumer prices, and other critical impact areas.

- (b) Can we say with any certainty what the impact of the presence or absence of a policy would be?

Yes, we can ascertain in general what the impacts of the absence of some national policies would be. These impacts are indicated generally in the response to 7 (a) above. It is not known to what extent the presence of a different national growth policy would reduce the anticipated undesirable effects of present policies, because these present policies probably will have varying degrees of effects on the situations of concern. Furthermore, because of internal contradictions among some policies, and the lack of effective coordination among many programs, the long-run impacts are very uncertain.

8. (a) Do we know enough about how the general public (not the "growth experts") wants the country to look in the future and, more importantly, what the public is willing to sacrifice in order to achieve it?

We know comparatively little about what costs the public is willing to pay in order to achieve any given future. There is evidence that a large share of the population prefer to live in smaller cities and towns, and that these towns be in close proximity to larger metropolitan areas. The Economic Research Service of the Department of Agriculture is now conducting a national survey of residential preference, including information on the extent of sacrifice respondents would be willing to assume. Also, the National Science Foundation recently has made a grant to the National Opinion Research Center at the University of Chicago for the purpose of obtaining policy relevant information through attitudinal surveys.

In addition to the attitudinal surveys, there has been a considerable study of the behavior of people. For example, there is some information on the amount of income people are willing to forego to live in a given place.

- (b) If the answer is "yes", what is the source of our information?

See response to previous question.

- (c) If the answer is "no", how do we find out?

Additional support for NFS-type projects, as well as studies of the future now underway in USDA and other agencies, would also further our understanding of this topic. The major need is for a Federal commitment to the process of developing consensus on matters regarding growth, such as the Federal role and strategies for linking policy with program decisions.

9. (a) What evidence is there to show either a public consensus, need for, or an overriding necessity for the formulation of certain national growth policy objectives?

The evidence of public support for such policy would appear to be growing. This is exemplified by statements of such public interest groups as the National Governors Conference, the National Association of Councils of Governments, the recommendations of such study groups as the Advisory Commission on Intergovernmental Relations, the President's Commission on Population and the American Future, the White House Task Force on Rural Development, the National Advisory Commission on Rural

Poverty, and Actions of the Congress such as Title VII of the Housing and Urban Development Act, Title IX of the Agricultural Act of 1970, the pending Rural Development Act of 1972, hearings of the Senate Government Operations Committee on Reorganization, and numerous legislative proposals on the subject. While this does not necessarily represent a consensus, it does suggest growing support for a mechanism that will yield a consensus position.

There is much evidence of need for improved formulation of certain national growth objectives. The human misery associated with the massive depopulation of many parts of the country, the continuing displacement of labor from many natural resource related industries, the persistence of poverty and deprivation among some segments of the population, the fiscal plight of many local governments, and other problem situations provide this evidence.

- (b) Are there growth objectives which can safely be said to have widespread or universal support which are not being promoted by present Federal policy?

It is difficult to answer this question with any degree of certainty. The Federal government has a wide array of growth related policies and programs. They are typically fragmented, uncoordinated, and perhaps contradictory in some cases. It may well be that virtually all of the nation's aspirations are being "promoted" in one way or another by Federal programs. It can be asserted with some confidence, however, that there are

widely supported growth objectives that are not being effectively achieved by present Federal policies. The persistence of joblessness, poverty, racial tension, environmental degradation, disadvantaged regions, and other undesired situations are evidence of this fact. . . .

(c) Do these include the stated Title VII objectives?

Probably they do, although the Title VII objectives are not sufficiently specific to allow comment. Title IX of the Agricultural Act of 1970, as well as the pending Rural Development Act of 1972, also express growth objectives having widespread support.

B. DEFINE THE FEDERAL ROLE IN NATIONAL GROWTH POLICY

1. (a) What guidelines or concept should serve as the basis for Federal action to achieve and utilize a national growth policy?

Guidelines and concepts should be based on fundamental and socially acceptable judgments about the role of the public sector -- the Federal government in particular -- in the nation's life. That judgment has generally been that public policy is an adjunct to individual decisions and modes of behavior. Our society is likely to view a national policy as a device to address growth problems and growth prospects that are widespread in scope and interest. Thus, Federal activity in growth policy should be concerned mainly with those problems that are far-ranging enough to encompass undesirable external effects of ongoing policies not manageable at lower levels, and to require debate, systems analysis, and resource allocation at the national level. Conversely, such activity would not encompass facets of growth that can be accommodated by private action or public action at the local and State level.

Federal actions related to growth policy should be designed to

- provide a national framework and process for achieving an informed consensus about the specific goals and objectives of national growth policy;
- promote and conduct research and systematic analyses of alternative policies and the long-run costs, benefits, and consequences of alternative policies, programs, and future growth states of society;

- encourage State and local leadership and citizens to actively engage in systematic analysis and choices to influence development;
- provide technical assistance and financial support for State and local community planning and development;
- deal directly, if necessary, with adverse external effects of ongoing policies and programs not manageable at lower levels of government or by the private sector;
- design and administer ongoing Federal programs in concert with growth policy objectives;
- monitor and report on "growth indicators," including social, environmental, and locational aspects as well as economic aspects;
- identify and deal with those few "National" concerns and values that should be protected and not impaired by State and local growth choices (e.g., civil rights, national security, certain aspects of environmental quality, etc.);
- provide mechanisms for resolving interstate conflicts and problems.

2. (a) How do we define the national interest -- how do we balance the relative weights of economic, social, and other considerations?

Any nation defines its "interests" through widely held beliefs about how basic economic, social, and political institutions should be organized, and how these institutions should function. In the United States, premiums have been placed and will continue to be placed, upon (a) orderly change dominated by rules

of law and democratic processes, (b) economic and social life centered around private rather than public initiative, (c) equal opportunity for members of the population, and (d) international posture that assures the nation's territorial integrity, assistance to less developed countries, and expanding international trade.

The economic, social and political institutions provide the framework for (1) expressing and analyzing objectives, (2) balancing the social, economic, and political aspects, and (3) taking action. In concrete terms, the achievement of objectives consistent with national interests really means realization of choices among alternatives. Individual citizens in the United States rely upon two basic mechanisms for registering choices -- the elective process in the public sector and the market process in the private sector. Market and elective "votes" provide the signals required to describe and interpret the national interest.

(b) What studies or evidence tend to support various alternatives?

See Bibliography, especially volume 1 of the compendium of papers submitted to the Subcommittee on Economy in Government of the Joint Economic Committee [32].

3. (a) What is the appropriate forum for formulating the Federal role in national growth policy?

Pending reorganization of the Executive Branch, leadership for formulating this role should continue to center in the

Office of the President. The public should have a role through the usual media of debate and influence. Eventually, the Federal role in national growth policy should be formalized by legislation, and Congressional deliberation is therefore an important part of the forum to formulate national growth policy and the specification of the Federal role in this policy.

- (b) What precisely did Congress mean in enacting the Title VII language establishing the national growth policy report and objective?

The meaning of the Congress was not readily apparent. But, at a minimum, the Congress evidently intended to register prevailing discontent with the effects of the current set of growth policies and the shortcomings of Federal programs in facilitating orderly growth.

4. (a) To what extent should popular present concerns such as population growth and the environment indicate a need for a Federal role?

All concerns of major national consequence, whether long-term or short-term, in vogue or out of vogue, should be considered.

It should be noted that public concerns over population growth patterns and environmental quality are not of recent origin. Individuals adversely affected by these phenomena have long been concerned about these adverse social effects. Recently, however, public awareness concerning these factors has increased considerably, and they have achieved a more prominent place on the public policy agenda. In our opinion, it would be a serious

mistake to dismiss these issues by asserting that our citizens are only superficially or temporarily concerned about them.

- (b) To what extent should less direct but equally pressing concerns such as trade deficits, industrial productivity and the market economy influence Federal policy toward growth?

It would, in our opinion, be very short-sighted if debate over growth policy neglected such considerations as these. The private market economy should continue to be the principal driving force behind this nation's economic growth and development. National growth policy only seeks to channel and rationalize this force. Thus, industrial productivity, the market economy, and our posture in international markets should continue to be at the heart of national growth policy.

One of the principal justifications of a more coherent and explicit national growth policy is the value of having a framework for evaluating the developmental implications of public programs and policies that are not normally considered to have immediate developmental effects. For example, it would be useful to consider the developmental implications of alternative international trade policies, farm policies, transportation policies, wage policies, research and development, etc. It especially would be useful to gauge such policies in terms of generally accepted objectives of national growth.

5. (a) To what extent should a national growth policy attempt to achieve welfare and social goals?

Presumably, the sense of this question is to place economic, social, and welfare goals into separate categories. Further, by the term "welfare" we presume the question refers to programs for the low-income segment of the population (this distinction is important because many social scientists use the term welfare to encompass the entire economic and social well-being of all members of society).

While the thrust of national growth policy might be primarily economic in nature, that policy should also incorporate social and welfare goals. Similarly, the identification of interdependencies between economic and noneconomic goals may well be more crucial than the promotion of one set of goals at the expense of another. Direction on goal promotion at the Federal level, however, must ultimately come from the President and the Congress.

- (b) Specifically, which goals warrant more Federal promotion?

National growth includes goals with respect to levels of employment, income distribution, increases in productivity, income per capita, and changes in the geographical distribution of people and economic activity. The latter, especially, warrants more effective Federal promotion and action.

- (c) Is there evidence to suggest that the Federal role must give more weight to welfare considerations than State and local governments give?

Little empirical evidence has accumulated on the appropriate Federal and non-Federal weights on welfare considerations. This is so because the question deals importantly with values and beliefs that do not readily lend themselves to empirical scrutiny. At the same time, social scientists have conducted research which supports the view that "welfare considerations" confront our citizens with problems that are national in scope and that continued analysis and debate is warranted at the national level [see bibliography, 3, 36 and 46].

6. (a) Is there a consensus on whether or not the Federal Government should be concerned with the location of activity in this country?

Yes, in a general sense. This consensus is demonstrated by points of agreement in (1) the President's Rural Development Message of February 1, 1972, and preceding expressions by the President in support of rural development; (2) Title IX of the Agricultural Act of 1970; (3) Title VII of the Housing and Urban Development Act of 1970; and, (4) the pending Rural Development Act of 1972. Generally, the concerns associated with this consensus relate to (1) declining rural populations in many rural areas, (2) declining economic vitality of many rural communities, (3) disparities in economic opportunities of rural and urban people, and (4) existing pollution, crime and other problems in the larger and more densely populated metropolitan areas.

- (b) To what extent should the Federal Government be concerned with the future "map" of the country?

This always has been, and should continue to be, a high priority item on the nation's agenda. Since the Federal government operates many policies and programs which heavily influence the future "map," it should be concerned explicitly.

Concentration of about three-fourths of the nation's people in city-strips along the Atlantic, Pacific, Gulf and Great Lakes shorelines appears to be plausible within 20-30 years if recent trends continue. With the meager progress being made, or likely to be made, in management of large urban complexes, the adverse social effects of permitting such population concentration in a few megalopolises could dominate nearly all domestic and national policy by the year 2000. Also, the 25 percent of the population residing within the interior portion of the country (about 90 percent of the land area) would be suffering the consequences of continuing out-migration, especially the more rural parts of the interior. The national effort to modify the "Trend Future" in the geographical distribution of people and economic activity should be geared to reducing the rate of urban concentration sufficiently to permit orderly and efficient adjustment to changing population densities among geographical areas.

- (c) Is it possible to have a growth policy which does not specify where growth should occur or what appropriate actions are needed to achieve locational growth objectives?

Yes, this apparently is a major attribute of the collection of fragmented current Federal policies with growth implications. However, many Federal programs have explicit locational objectives and major locational effects.

- (d) How does one distinguish between a "locational" growth policy and any other?

A national growth policy without explicit locational dimensions could focus mainly on increasing the size of the GNP and/or population. On the other hand, a national growth policy with locational elements could be concerned with both increasing the size of GNP and distributing this increase among geographical areas in relation to some criteria depicting need or equity. Whereas a national policy concerned only with increasing GNP may focus on measures consistent with private initiative, investment and full employment, the added locational elements to this policy may include incentives for new investment and economic activity to occur in particular locations.

7. (a) What are the political pressures at the Federal level which can be expected to bear on the formulation of a national growth policy?

Essentially they could be expected to be the same pressures being brought to bear on the existing policies. The emphasis and focus will depend in large measure on the components of the policy that evolves. To the extent the policy focuses resources on a small number of places, it will obviously draw

fire from some of those that are not included. Likewise, the mix of functional assistance will affect the political pressures brought to bear. For example, a revenue sharing approach can be expected to draw political fire from supporters of the more functional approaches in Federal programs.

(b) How do these pressures affect Congress and the Executive Branch?

They will affect Congress through both committee interests and constituency interests that are affected in significant ways. Within the Executive Branch, there will be the usual actions to protect bureaucratic turf.

(c) What are the primary interests, both bureaucratic and nongovernmental, which will affect the way national growth policies are formulated?

The interests of the individual citizen must be in some way represented if the policy is to be credible to the public. As noted before, various conflicting bureaucratic interests will be vying for influence. Also, powerful economic interests, such as labor unions, will vie for influence. Executive office adjudication will be necessary to keep these forces in check. The interests of various professions and disciplines must also be considered in design of the approach to policy formulation. Social scientists and planners, in particular, will be seeking an instrumental role.

- (d) Can these pressures be offset against each other in order to preserve the integrity of whatever policy is adopted?

If an improvement in the present situation is desired, it is to be assumed that one should not seek to have these pressures neatly offset against one another. Rather, the intent should be one of distilling from these many pressures and interests a consensus that is an improvement over the present situation.

- (e) To what extent can the individual Representative's interest be reconciled with any meaningful national growth policy?

Achievement of a national consensus would imply the support of a majority of the nation's voters. Within individual Congressional districts, there will be both support and opposition to any growth policy.

It can be a mistake to assume that there is always a conflict between the local and national interest. While many of the lesser developed parts of the country are clamoring for improved levels of well-being and inducements to improve population retention, there is growing support among many of the larger and more rapidly growing areas to apply the brakes to growth.

8. (a) What does the evidence suggest about the feasibility of coordinating Federal activities to implement a national growth policy?

Past and present experience indicates that increased coordination of Federal activities is feasible but will be difficult to achieve. Better coordination of existing Federal activities is insufficient to achieve national growth because this coordination must relate to activities of the private sector and of State and local governments.

(b) What has been our experience to-date with past or similar efforts?

We have been somewhat successful in coordinating fiscal and monetary policy, regional development (TVA) and agricultural programs. There is evidence of State or local economic growth stemming from coordinated Federal, State, local and private activity. An example is the reversal of outmigration from Arkansas during the 1960-1970 decade through increased industrialization. In turn, this increased industrialization was encouraged by Federal investments in Arkansas, such as in water and related natural resource development, but implemented by State, local and private activity.

The proposed Department of Community Development is based on the premise that the Federal government can contribute more to State and local growth processes through (1) development of explicit policy for this purpose, and (2) coordination of authorized Federal activity in implementing this policy.

9. (a) To what extent is "disorderly growth" a national policy concern?

As a change process, growth is conducive to "disorder." That is, the forces that lead to growth often have undesirable influences upon product or resource markets, the environment, particular segments of the population, and even entire regions of the Nation. These are matters of national concern. In this context, a national growth policy is the vehicle required to secure accommodations to change that are in the national interest. Growth policy articulated at the national level promotes orderly growth in the sense that the mechanisms for achieving socially acceptable adjustments are in place.

The policy would reflect a social commitment to overtly debate and plan for growth, rather than simply reacting to it.

(b) Is there a national consensus on what constitutes disorder?

We can reasonably presume there are widely divergent views on the topic. A consensus has emerged only in the sense that public concern and public action directed toward some consequences of growth are becoming more prominent. A true "national" consensus is not necessarily required -- much of the impact is local, and can be resolved through local consensus.

(c) If so, what are the specific features?

As noted above, "disorder" takes on many forms including: labor displacement, unequal distribution of income, diminishing

tax bases, unsightly forms of urban development, environmental pollution, underdeveloped and underutilized human and economic resources, etc. It can be argued, then, that the nation's citizenry has made some progress in articulating these concerns with reference to disorderly growth but that the task of bringing the various facets together, searching out their inter-relationships, and fashioning appropriate policy remedies remains largely undone.

(d) Are we imposing higher standards on metropolitan development?

No. They are different standards but not necessarily higher standards. They are reflective of a change in public values and for the need to have national guidelines which will help create socially acceptable order out of a process which, if left uncontrolled, can result in socially unacceptable situations.

(e) What processes of transportation and land development could be changed to accommodate higher standards?

One can only assume the standards around which a consensus would evolve. Transportation and land development are two of the more important factors over which public policy has an important degree of influence. This influence could be applied in any number of ways to further the aims of a national growth policy. This could range from the choice of modes of transportation to the location of transportation systems to the

form and extent of subsidization. The same, though perhaps to a less degree, is true of land development.

(f) What Federal operational policies does this imply?

In case of transportation, it would imply policies similar to those encompassed in the Appalachian Regional Development Act of 1965. In case of land development, it would imply policies such as those contained in the enabling legislation for TVA and the Department's Resource Conservation and Development Projects.

C. EXAMINING PRESENT FEDERAL NATIONAL GROWTH POLICIES

1. (a) What evidence exists to indicate how much leverage (potential or real) Federal policies and programs have on the growth process?

Evidence is available, but much of it is episodic and limited to particular cases. Several sources of information are listed in the attached bibliography [9, 17, 41 and 43]. A recent study by the Economic Research Service of the Department of Agriculture is representative. That study related the geographic distribution of Federal outlays for 242 programs in FY 1970 to change in per capita income and population for the decade of the 1960's on a county basis. The major conclusions of the study included the following:

- Nonmetropolitan residents share disproportionately in outlays of many Federal programs.
- Programs narrow in scope and limited in objectives are failing to effectively meet this country's development needs.

There is ample evidence that many individual Federal policies and programs can have, or have had, a very significant leverage on the form, location, and substance of the growth process. Examples that come to mind include the low cost power of the TVA, the Homestead Act, Railroad Land Grants, water resource development in the West, the mechanization of agriculture, the location of defense and space installations, aero-space contracting, the location of interstate highways, insured housing loans, etc. On each of these topics, there is an accumulation of evidence demonstrating the influence of Federal policies and programs.

- 2.. (a) What do we get for the \$35-40 billion now spent annually on Federal grants to States and localities?

Since these expenditures are categorical grants for the most part, we made progress on some of the narrow, functional purposes expressed in authorizing legislation. It is uncertain what we get in terms of local or regional growth impacts. Regardless of the amount of accomplishment, however, more can be gained from the \$35-40 billion through better Federal leadership and by allowing State and local governments the flexibility required to allocate the use of the money in relation to State and local problems and priorities.

- (b), (c)
& (d) Is there evidence to suggest that the leverage which this money possesses has been inadequately used in the past? How could it be increased? Is there evidence to suggest that these Federal funds have little or no leverage effect?

These questions are interpreted as addressing the following general question: What are the affects of the Federal grant programs on State and local spending? While studies on this theme appear in the literature, they present conflicting evidence concerning the effects of Federal grants on State and local spending [see bibliography, 27]. Study results range from the finding that Federal grants are complementary to State and local spending (that is, they induce more State and local spending) to findings which suggest that such grants are used as substitutes for State and local expenditures. There is no hard evidence to suggest that the leverage which this money possesses has been inadequately used.

The conflicting research results regarding the amount of leverage can be attributed to problems with research procedures in a few cases, but more generally they reflect the absence of a well specified set of concepts or ideas about decision-making in the public sector of the economy.

3. (a) Which Federal directives, if any, expressed in legislation conflict with one another in influencing growth?

There is little doubt that Federal directives run in different directions and, in one sense or another, have divergent effects. Federal investments in the development of labor saving technology in agriculture generally have the effect of reducing employment opportunities in rural areas and thereby increasing out migration to urban places. At the same time, various other Federal incentives are employed toward the opposite end. The problem with such situations, however, is not their apparent conflict but the failure to harmonize objectives in such a way that their potential complementarities are realized. Thus, in the case of investments in agricultural technology, the undesirable consequences of joblessness and rural-urban migration need not follow if efforts to replace the farm jobs with other employment opportunities are directly related. More often than not, they are not related.

A different example relates to the REA programs. It was the general Congressional and Administration policy that the desires of the people for electric and telephone service should be met. The Rural Electrification Administration was created, and its authority expanded, to help meet these desires in rural areas

where such service was not available. But on the other hand, the National Environmental Policy Act defines a goal of preserving the quality of the human environment, which is interpreted by some in terms of preserving the unspoiled attributes of nature. The expansion of utility services is to some degree incompatible with this environmental goal. Also the multiple-use concepts for National Forests is inconsistent with preservation of forests according to the Wilderness Act. There is general agreement that environmental damage should be minimized while supporting economic growth, but there is no guidance as to the extent to which growth should be suppressed to avoid environmental damage.

(b) To what extent do conflicting directives cancel each other?

They almost never cancel in the sense of forestalling action. Sometimes the influence of their actions cancel. More often, the conflicting influences yield net changes in one direction or another, which may shift as the weight of influencing forces shift.

4. (a) Are there administrative policies and presidential directives which are either internally inconsistent or conflict with congressional directives, as far as growth is concerned?

Yes, there appear to be such policies and directives. Environmental goals are expressed in Executive Orders (E.O. 11507 and E.O. 11514) as well as in legislation such as the National Environmental Policy Act of 1969 (P.O. 91-190). Growth will be restrained by diverting resources to achieve environmental objectives. Also

administrative goals with respect to Civil Rights may conflict with cost-effectiveness in achieving growth objectives of programs. In addition, the policy of locating Federal facilities in the more sparsely populated areas may be inconsistent with the objective of reducing Federal costs. While some accommodation is possible between the goal of growth and the goal of protecting and improving the physical environment, these goals are basically in conflict.

- (b) What weight must be attached to these various policies?

Generally, no clear guidance exists as to the extent growth objectives should be sacrificed for other objectives in cases of conflict. However, this Department gives higher weight to equity than to economic efficiency in implementing its rural development programs.

- (c) To what extent are they self-enforcing and self-implementing, as opposed to being dependent upon forceful advocacy?

Most are probably somewhere in between these two extremes. They are not self-implementing in the sense that no administrative judgement is required. But neither do they require a forceful advocacy to create a demand for their benefits. Administrative discretion plays a fundamentally important role in the case of many of these policies. It is our impression, that a clear and forthright statement of national purpose, vis-a-vis the growth and development of this nation, would be of material help in resolving these inconsistencies and conflicts.

(d) To what extent are these directives locations specific?

Most of the public works type programs are locations specific. This is less true of the human resource programs. The nature of this specificity varies. Some programs are tied to particular governmental jurisdictions -- e.g. States, counties, Indian reservations, etc. Others are tied to size of place -- e.g., Farmers Home Administration Housing Programs to places of less than 10,000 population and their water and sewer programs to places of less than 5,500 population. Another example is the policy of locating Federal facilities in more sparsely populated areas. Still others are tied to locations that meet certain criteria -- e.g., counties with rates of unemployment or net out migration above a given level.

(e) Are there studies to show their location impacts and effects?

Yes, though they tend to be episodic with results that are not really additive. There are exceptions, however, some of which are noted in the attached bibliography [24, 35, 37 and 54]. Followups of the recent studies of the distribution of Federal outlays among U.S. counties promises to shed some additional light on the subject.

5. (a) Do we have enough information to be able to identify distortions in free (or competitive) market behavior which result from Federal policies?

Yes, we believe so. Social scientists have the theoretical machinery, operational techniques, and the data base required to provide at least a point of departure. A case in point would be analyses pertaining to domestic agricultural policies that have been pursued for more than four decades. Hard evidence has accumulated on the impact of Federal price supports and acreage controls for selected agricultural commodities on resource use, commodity prices, farm incomes in the agricultural sector of the economy, income distribution within agriculture, and farm real estate values. These results have direct implications for ongoing debate over farm policy and yield direct clues as to the effects of a change in farm policy on the non-farm sectors.

- (b) Is it possible to quantify the effects of these distortions in any realistic way?

Yes. Quantifications of the impacts of Federal farm programs have been made, but these would be "realistic" only to the extent that changes in market prices adequately reflect the true societal costs associated with a specific public policy.

- (c) & (d) Are there analytical techniques which can be used in the absence of hard evidence to estimate the efficiency losses of these distortions? Are there studies which have used these techniques to estimate these losses?

Yes, techniques are available and have been used. These kinds of studies generally confront the analyst with two primary problems. Firstly, public intervention with private markets often comes at a cost to society but also yields concrete benefits.

Ideally, then, judgements about the propriety of a specific policy should be based upon the calculation of net societal benefits or costs. Traditionally, credible cost estimates have been easier to obtain than estimates of benefits.

Secondly, fewer and fewer social scientists are persuaded that policy judgements should turn on the question of economic efficiency alone. Rather, these judgements should incorporate or at least be cognizant of the manner in which gains and losses from a particular policy are distributed among individuals or groups in society.

In order to secure this kind of perspective on policy issues, especially when hard evidence is limited or fragmentary, analysts have typically relied upon the "benefit-cost" frame of reference. A diverse and voluminous literature has accumulated on this reference frame in recent years. Similarly, studies have accumulated -- most notably those pertaining to investments in natural resource development. Selected references on empirical applications of benefit-cost analyses are included in the bibliography. [See, especially, 30].

- (e) Is it possible to estimate the political cost associated with eliminating those policies with a large negative impact?

Not in any scientifically reliable way. Some of the effects of eliminating such policies -- e.g. estimates of the numbers and types of people affected, monetary losses, etc. -- can be

calculated. But whether these accurately reflect the depreciation in political capital associated with such action is speculative.

Part of the problem in estimating future political costs and benefits is due to the uncertainty regarding the "efficiency" with which existing political institutions and mechanisms transmit the political desires of the people -- and the effects of changes apparently occurring in those political systems.

6. (a) Are there policies of the Federal government which are not
& (b) related to programs but more directly related to the economic, social, and cultural "environment" which express national growth policies? If so, what are they and are there estimates of the impact of these non-programmatic policies on national growth?

There are, of course, Federal policies unrelated to specific programs which seek to give direction to general national objectives. The Full Employment Act of 1946 is one such example. Another series of policies relates to civil rights. And, there are many others. But, from the individual citizen's point-of-view, it is only what happens to him, his family, his home town, and his job that really counts for much. And this is where our present "national policies" often fail. For they too infrequently view the nation as the sum of many highly different parts. Furthermore, there is no opportunity for effectively interrelating the existing policies so that their potential, for complementarity is fully exploited.

- (c) In the absence of quantitative estimates, are there at least estimates of the direction in which these non-programmatic policies impact?

We find it difficult to point to quantitative or even directional impacts of these policies that are not related to programs of one type or another. Of its own, a statement of policy is of limited value if it is not supported with action and that action is more often than not programmatic in nature.

7. (a) To what extent does a consensus exist that there is now a general lack of Federal leadership in developing priorities and policies for national growth?

There does seem to be some concern about the lack of strong Federal leadership on this subject. Though it had a fairly low profile, establishment of the National Goals Research Staff a couple years ago appeared to be well received. However, its sudden disbandment was interpreted by at least some to indicate that the Federal executive branch was not taking the subject seriously. Likewise, though there is agreement that State and local governments are in need of fiscal relief, the recent proposals for special revenue sharing have also been interpreted by some as an abdication of national responsibility for the setting of national goals and priorities. The delay in expressing rural development objectives and enactment of rural development legislation also troubles many.

- (b) Are there operational rules consistent with conclusions of section B above which the Federal government could adopt which would achieve the objectives implied in these criticisms?

Federal leadership could be asserted in ways to achieve national goals or objectives not being accomplished through efforts in State, local or private activities. This would place the Federal government in the role of residual supplier of public services.

- (c) If not, are there adequate and appropriate alternative ways of achieving the same objective, such as inducement to State or local action or private action?

State, local and private initiative and action are essential for the success of any national growth policy, but first there must be some better basis or mechanism for determining consensus on changes in the national policy.

D. EXAMINING PRESENT PROGRAMS WITH NATIONAL GROWTH IMPACT

1. (a) Has an analysis been made of the relative impacts of Federal programs on the rate and location of national growth? What significant assumptions about "national growth policy" and the Federal role are implicit in these measures and in the identification of such Federal programs?

Yes, a number of studies have been made on impacts of specific programs [see bibliography, 30, 37, 50 and 54]. Most programs included in these studies contained regional or national growth objectives.

2. (a) What consensus exists on how the location of jobs should influence housing programs, manpower programs, transportation programs, etc.?

There are, in general, two views on this issue. Proponents of gearing housing and other programs to the location of jobs implicitly reject the view that such programs should influence the location of economic activity. Opponents of this view consider job location as one of the principal objectives to be achieved by the programs. A consensus is emerging that rural development strategy should include using Federal programs to influence the location of jobs.

- (b) To what extent is population dispersal and concentration taken into account in these programs?

The Rural Electrification Administration and the Farmers Home Administration have differing experiences regarding population distribution. Although the concept of area coverage is emphasized in administration of REA programs, much has been done by REA and electric borrowers to encourage economic development of rural areas. An alternative not pursued by REA is to withhold electric and telephone utility service in certain rural areas with little potential for development.

Industrial development in rural areas provides a major source of demand for rural housing programs. Often, specific new industrial expansion generates an emergency need for housing. FHA responds to these demands and needs by providing loans for all qualified borrowers who cannot obtain credit elsewhere.

- (c) In what concrete ways do program management decisions reflect these concerns?

In general, most programs of USDA have some influence on the geographical location of jobs and people. Some of these programs, such as research and development, reduce the numbers of rural jobs -- others, such as rural housing or water and sewer systems, may contribute to more rural jobs. However, program managers of the Department favor providing program services in locations to contribute to rural job development, when a real choice is possible.

- (d) Could a national growth policy be reflected in these growth decisions?

Yes.

- (e) How could program managers, with a much narrower perspective, be influenced to support a much broader objective in making decisions?

In the absence of clearly expressed national goals and objectives, and strong political leadership, program managers tend to respond exclusively to local demands or pressures for program services within the framework of existing authorities. Such procedures minimize potential opposition or criticism of delivery of program services. Program managers would be

responsive to changes in legislative authorities or to Executive expressions of national priorities, coupled with effective management information and control systems vigorously and persistently utilized.

- (f) In what form would the directive have to come (i.e., Presidential Executive Order, legislation, informal administrative practice) in order to have any effect?

Preferably by legislation, with strong Presidential support and leadership.

3. (a) - (f), relating to urban fiscal crises.

Responses to these questions are deferred to other Departments or Agencies.

4. (a) Is there an analysis to show the impact of the Federal minimum wage on where jobs are located and who holds them?

USDA has not made such an analysis, although other Federal Departments or Agencies probably have.

- (b) Is this something that needs to be dealt with in Federal legislation?

In the absence of awareness of any analysis that points up any adversities or indicates any differentials in the job market or national growth due to the minimum wage, we have no basis for judging the appropriateness of legislative attention. However, research on the issue seems warranted.

- (c) What are the possibilities and prospects for various alternative forms of minimum wage legislation that might minimize any adverse impact on growth that is found to exist?

Considerable study would be required. The necessary research would be difficult because the effects of the minimum wage would have to be separated from other factors involved in differentials in local, regional, and national growth.

However, since the Federal minimum wage applies uniformly to all States and localities, it may offer less possibility for causing adversities than would be the case with different State minimums in the absence of a uniform national rate. But there are some States with minimums that currently exceed the Federal level and thus may be a consideration in industrial and job location. The extent of coverage by industry and general wage rates in relation to geographical and spatial location would also seem to warrant consideration and analysis.

5. (a) - (d), relating to urban renewal.

Responses to these questions are deferred to other Departments and Agencies.

6. (a) Is there now a Federal policy or directive on preserving and expanding the stock of housing?

Yes, but existing Federal policies and directives on preserving and expanding the stock of housing are too general to provide adequate guidance for rural housing policies and programs. The

national housing goal established by the Housing and Urban Development Act of 1968 and the subsequent annual reports of the President on housing goals have not distinguished between rural and urban areas as to the extent and nature of housing needs, and the priorities to be followed in meeting the needs of the two different areas.

- (b) What are the appropriate criteria to be used in defining the Federal role and developing appropriate programs?

The Federal role in improving housing conditions in rural areas can be classified into two general categories: (1) assisting those who lack adequate housing and who cannot obtain it solely with their own resources, and (2) ensuring adequate housing supplies to meet Federal objectives for geographically balanced national development. The first general role involves primarily credit and other financial assistance, as well as education of program participants in home management, and technical, planning, and leadership assistance to State and local housing organizations, and assuring adequate lumber supplies at reasonable prices.

The Federal role of ensuring adequate housing supplies to meet objectives for rural development and balanced national growth should be accomplished primarily by stimulating the expansion of private housing credit in rural areas, supporting research and development efforts, as well as changes in building codes and zoning practices, to reduce the costs of construction and

residential development, and by assisting State and local governments and other organizations in developing well coordinated rural housing and development plans and programs.

- (c) Is there, at this point, sufficient evidence and analysis to support alternative Federal housing programs?

The available evidence indicates that financing new single-family homes of conventional construction, which represents the bulk of USDA/FHA's housing program, is more expensive, both to the Government and to the rural resident, than financing rental units, mobile homes, or repairs or rehabilitation of existing homes. The extent and nature of the demand for the different units among low- and moderate-income rural people, however, have not yet been determined.

7. (a) - (b) on Metropolitan "balkanization".

Responses to these questions are deferred to other Departments and Agencies.

E. EXAMINE RELATED TOPICS OF IMPORTANCE

1. (a) - (c) on fiscal needs of cities.

Responses to these questions are deferred to other Departments and Agencies.

2. (a) - (c) on urban employee wage demands.

Responses to these questions are deferred to other Departments and Agencies.

3. (a) What is the impact of local property taxes on the location of employment, residential construction, etc.

Available research suggests that local property taxes are a factor but not the prime factor in determining industrial plant location. Most studies show a number of other factors exert greater overall influence in the matter of interstate plant location decisions. However, some evidence indicates that once specified sub-State regions have been chosen for investment, local property taxes play an important role in determining the exact location of the new investment within the sub-State regions.

The literature on the impact of local property taxes on residential construction is extremely limited. Some have argued that high local property taxes in central cities have been a prime factor in forcing the flight to the suburbs. But this

effect appears to have been oversold. One also must realize that the services provided by local governments and financed by property taxes are of considerable importance in determining the desirability of residential construction. That is, the service as well as the cost side must be evaluated.

- (b) To what extent does this question bear on Federal policies?

Local property taxes often are oversold as a factor influencing industrial location. However, to the degree local public officials believe them to be of importance and hold them at the lowest possible levels, it becomes difficult for the local governments to offer an adequate level of essential local governmental services. Thus, a vicious circle is developed. In such a situation State and Federal governments can play a role by helping create stability, reduce local competition, and help hold down costs. It may be necessary for the higher levels of government to help finance local services. This is especially the case when local units lack the fiscal capacity to finance adequate services.

4. (a) Are there indications that the reduction in migration during the last decade is permanent?

We assume this question relates to rural-urban migration.

There are indications that the reduction is permanent, insofar as movement stemming from economic necessity is concerned.

The major compelling sources of the rural-urban movement have

been the decline in agricultural and coal mining jobs, the extent of the rural-urban income differential, and excess rural childbearing. Declines in farm employment are continuing, but from a much reduced base that no longer yields high volume migration. The drop in coal mining jobs has ended and increases have taken place in the last three years. The rural-urban income gap has been narrowing, at least relatively. And rural childbearing rates have dropped since 1960, thus reducing the future supply of potential migrants. In addition, changes in residential preferences seem to have occurred in recent years that cause rural and small-town areas to be regarded more favorably than before.

- (b) What factors, if present, would restimulate long-range migration, particularly of blacks?

There does not appear to have been extensive reduction in long-range migration of blacks. During the 1960's, the net outmovement of blacks and other nonwhite races from the South was 1,216,000 compared with 1,462,000 in the 1950's, a drop of 17 percent. The precipitous decline in the size of the black farm population, however, -- from about 2.5 million in 1960 to less than .9 million in 1971 -- has greatly reduced farm displacement as a future source of black outmigration. To an increasing extent, further interregional black outmigration from the South depends on the ability of Southern metropolitan areas to attract and retain this population. In the last decade, only the largest class of Southern metro areas

(750,000 people or more) had net inmovement of blacks. The others contributed to the migration to Northern and Western centers. Black outmigration from the South did not respond well to improved local economic conditions in the 1960's as did white migration. There is a major socio-psychological component to black long-distance migration from the South, related to social and political climate, residential preferences, self esteem, established migration-sponsoring networks or relatives and friends, and other factors.

- (c) Are there appropriate Federal policies which could be developed to encourage or inhibit such migration?

Yes. Migration can be subsidized. The Swedes do it regularly, in order to assist people to leave regions that do not have sufficient job opportunities. The United States has a 10-year record of demonstration projects of this nature, run by the Department of Labor. People can be induced to make moves when their travel and location costs are paid or subsidized, when jobs and appropriate vocational training are offered, and supportive help with housing and other problems is given.

- (d) Should such policies be adopted?

Yes, we believe a program well above the experimental level of those previously authorized would be useful, especially for people from areas such as the flue-cured tobacco belt where displacements are already taking place from the effect

of rapid labor reductions in the tobacco-producing industry and can be predicted to continue to occur. This population is now to a considerable extent heading straight for the already impacted large cities of the Northeast.

5. (a) - (f) What are the objectives of a growth center strategy as now employed by USDA, DOT, and the Appalachian Regional Commission? Are these objectives consistent? Are the criteria consistent? Is there a need for Federally-consistent criteria to formulate growth policy at the national level and to set guidelines for State and local implementation? Could the Federal government set down meaningful criteria? If so, how?

The USDA has not adopted a growth center strategy. Rather, the Department works with local officials and citizens to promote rural development and to locate nonfarm jobs without requiring that new activities be oriented around a growth center. Most USDA programs have been oriented towards farms, rural places, or small villages and towns that are considered "rural" in character. Some USDA programs involve planning and activity on a multi-county area basis, such as Resource Conservation and Development projects, but a growth center strategy is not employed in these areas. This is not to say, however, that USDA opposes the growth center strategy. It may be an appropriate component of an overall Federal strategy in many rural areas.

There is a need for Federally-consistent criteria to formulate growth policy at the national level and to set guidelines for State and local implementation. With respect to growth center strategies, the Federal criteria could be used to insure that all States are delineated into multi-county

areas and that each area has one or more designated centers of activity. Federal criteria could also be used to insure that the benefits of national growth policies are available to all Americans. If establishing criteria rests with individual States, an uneven response is likely, thus increasing the likelihood of continued divergencies in national growth patterns.

The Federal government could set down consistent objectives of national growth policy and consistent criteria for using designated areas and their growth centers as part of the mechanism for reaching national objectives. The objectives of national growth policy have implications for the distribution of growth among industries, among occupations, and among geographic regions. Specification of national policy with respect to sub-national objectives is needed to set down meaningful criteria. Spatially, some problems of economic growth apply to all areas of the nation simultaneously; some are sub-national, but multi-State in nature; and, some are sub-State but multi-county in nature. Federal criteria with respect to growth center strategy could set guidelines for delineation of all 50 States into consistent regions such that each State belongs to a single multi-State region. Further guidelines are needed to delineate all 3000 counties into consistent multi-county regions such that each county belongs to a single sub-state region. And

Federal guidelines can be used to designate one or more growth centers for each multi-county area as well as for each multi-State area.

6. (a) What are the effects of present Federal policies on racial and economic segregation policies?

The present USDA policy on civil rights is to insure equal access and opportunity in all aspects of our programs without regard to race, color, or national origin to the full extent of the law. Each program Assistant Secretary and Director, together with his respective program managers is assigned line responsibility for implementing this policy. The effect has been that some program managers have achieved greater compliance with the Department's policy than others have. Some program managers have been reluctant to impose sanctions as a means of enforcing the nondiscrimination requirements of Title VI. The end result is a continuation of Federally subsidized racial discrimination in USDA farm programs.

- (b) Can these be quantified, either in terms of persons affected or economic costs to society?

The effects can be partially quantified. Secretary's Memorandum No. 1662 includes instructions to program managers to develop a system for establishing base data, for establishing targets, and for measuring progress in all programs so as to show the quantity and quality of USDA services being delivered

to minority groups. Since 1969 most Agencies have collected racial data for all counties in which their program operates. These data are evaluated to ascertain inequities, many resulting from racial and economic segregation practices, in program participation.

(c) What are the effects of racial segregation on Federal programs?

The effects of racial segregation on Federal programs has been to perpetuate dualism in rural America. Under racial segregation minorities receive less than their equitable share of program benefits. Two examples involve the Extension Service where minority county agents serve mainly Black clientele; and the 1890 Colleges which have shared only nominally in the benefits available to the Land Grant System.

7. (a) - (c) To what extent should the Federal government concern itself with the efficiency of local government services? Is there a Federal interest in insuring that Federal tax transfer payments are wisely spent? Does this extend to development of new forms of urban technology and services or merely to a "technology transfer" role between cities through advisory and consultative mechanisms?

It seems that there are two major issues involved with the local government efficiency and Federal tax transfer payments questions. First, it appears that the Federal government should insure that its programs do not contribute to inefficiency by unduly distorting local governmental programs. The Federal Government would seem to have a justifiable role in becoming

involved in local programs where the secondary or "spillover" effects are quite large, and local governments may not be taking account of such effects. Secondly, there are areas where the effects of local general revenue and expenditure actions are mostly local. These are activities where local units may well know what is needed better than does the Federal Government. To have their most important options in such areas dictated from the central government may create more problems of efficiency than it would solve. Finally, the Federal Government should encourage the development of institutional mechanisms at the State and local level which would permit local citizens to capitalize on any economies available through producing public services on a larger scale.

It appears there is much the Federal Government can do to foster the development of new forms of technology and community services. The comparative advantage for the Federal Government lies in the development of new technology and knowledge which has a national applicability. It does seem, given the magnitude of rural and urban problems, that the Federal concern should not be limited to merely a technology transfer, consultative, or advisory role.

8. (a) What are the effects of present court decisions and other policies relating to quality of public services within metropolitan areas and, perhaps, States?

Recent court decisions have impacted upon both the magnitude and composition of Federally sponsored services in metropolitan and other areas of the Nation. These impacts have ranged from additional appropriations to fund extensions of existing programs to modifications or reinterpretations of previous legislative authority for administering the programs. A case in point would be recent court decisions pertaining to USDA programs to distribute food commodities and food stamps to low income segments of the population.

In other cases, judicial precedent is beginning to evolve -- recent California decisions on inter-county differentials in property tax revenues to finance elementary and secondary education for example -- which promise the need for continuing scrutiny of ongoing Federal policies related to the Nation's growth and the provision of public services to its citizens.

- (b) Are there distortions caused by current methods of financing and providing Federal services which are either of Federal origin or concern?

Yes. For example, grants based upon population-in-place accentuate the rural/urban balance problem. It seems reasonable to argue that the Federal Government is always obligated to evidence genuine and continuing concern over "distortions" in current methods of financing and managing Federal programs. Similarly, the jurisdictional origin of any distortion may well be of lesser importance than the need to simply identify distortions, openly debate their causes and alternative tactics for mitigating them, and executing on a remedy in a forceful manner.

In general, the above process would need to recognize distortion emanating from fundamental flows in program design and/or the guidelines for its implementation and distortions caused by important changes in the economic, social, cultural, and political environment within which Federal services are provided. A dynamic society such as ours dictates continual scrutiny of ongoing programs and Federal leadership that is sympathetic to adjustments to changes in the socioeconomic character of their clientele.

- (c) Should the Federal Government attempt to even out the distribution of services (regardless of its responsibility for existing distortions)?

Yes, our judgement is that the Federal Government should seek equality of participation of all eligible citizens in its programs.

9. (a) - (c) On growth within metropolitan areas.

Responses to these questions are deferred to other Departments and Agencies.

10. (a) Is there a Federal interest in the harmonization and equalization of property tax rates as between classes of taxpayers?

The Federal Government as a general principle has an interest in equity and justice at every level. However, traditionally the property tax has been left largely under the jurisdiction of State and local governments. Within this context it seems that the Federal Government has only limited interest in becoming involved in questions of property tax rate harmonization between classes of property such as business and residential. But equalization between the various income classes is another matter. The Federal Government does possess the tools to alter income distribution and has actively used this power. In this sphere the Federal Government has a definite interest in equity of property taxes.

- (b) Do, for example, business concerns pay their way in terms of tax revenues?

Available evidence is inconclusive on this matter. Local units of government provide an array of services financed in a variety of ways. Even strictly nonprofit organizations pay their own way with a number of these services. An example would be services where a user fee is collected such as sewer and water. In other

areas such as fire control the situation is less clear. The difficulty lies in what people mean by paying their own way. Should only the costs and revenues of the public sector be considered in a narrow budgetary sense? Or should the broader public good be considered? For instance, a local nonprofit organization may be able to argue quite convincingly that its activities -- which may be largely exempt from the local property tax -- actually reduce local public costs by, for example, reducing local juvenile delinquency.

- (c) What costs are imposed on society by classes of taxpayers which are not taken into account in local tax sources and procedures?

This problem typically involves the property tax since it has been the most important local tax. Difficulties have been encountered in the sizable number of tax exempt institutions, such as nonprofit, religious, and philanthropic organizations, which are present in sizable numbers in many local jurisdictions. Although their tax exempt status has been criticized, the problem is not as simple as many assume. In a thorough analysis of nonprofit institutions and their tax impact, one must not only look at the distribution of the costs of tax exemption of such organizations but also at the distribution of benefits from these entities. Benefits may weigh more heavily on the low-income groups, for example. Thus, when the broader picture is considered, the situation is much less clear.

- (d) Is there evidence to substantiate claims of inequitable income redistribution inherent in such tax policies?

At present the evidence is incomplete. What may be a legitimate exclusion to one person is a loophole to another. The present tax system is the result of a complex series of events. It is not clear if the system as presently conducted generally is inequitable in terms of income redistribution.

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